

MINISTRY OF TOURISM, PARKS, CULTURE AND SPORT

COMMERCIAL REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2008



SASKATCHEWAN

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Commercial Revolving Fund as at March 31, 2008 and the statements of operations and accumulated operating surplus, and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 8, 2008

Fred Wendel, CMA, CA
Provincial Auditor

COMMERCIAL REVOLVING FUND
BALANCE SHEET
As at March 31

	<u>2008</u>	<u>2007</u>
ASSETS		Restated (Note 11)
Current assets:		
Accounts receivable (Note 8)	\$ 882,462	\$ 568,228
Due from General Revenue Fund	1,955,495	1,598,000
Inventories	1,059,097	1,055,226
	<u>3,897,054</u>	<u>3,221,454</u>
 LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	1,232,615	1,492,029
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	2,252,193	1,421,576
Fund equity:		
Accumulated operating surplus (Statement 2 and Note 4)	412,246	307,849
	<u>\$ 3,897,054</u>	<u>\$ 3,221,454</u>

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	2008	2008	2007
	Budget	Actual	Actual
	(Note 7)		Restated (Note 11)
Revenues:			
Camping	\$ 4,000,000	\$ 4,743,662	\$ 4,315,851
Cottage leases	1,800,000	1,933,257	1,782,094
Park entry	1,600,000	1,899,444	1,804,577
Resource management leases	650,000	775,289	757,114
Commercial leases	420,000	503,199	533,865
Swimming and accommodation	360,000	375,381	385,578
Campfire permit fees	320,000	374,151	336,730
Facility rental income	---	159,594	145,527
Interest revenue	---	118,981	93,006
Other	340,000	347,733	281,213
	<u>9,490,000</u>	<u>11,230,691</u>	<u>10,435,555</u>
Expenses:			
Salaries and benefits	10,887,000	11,902,473	10,806,563
Contractual services	1,996,000	2,722,418	3,344,366
Supplies and services	1,696,000	2,346,669	1,727,592
Travel and business	1,168,000	1,251,608	1,120,814
Communication	250,000	212,580	276,374
Equipment	---	---	15,998
Bad debt	---	48,535	22,209
Bank charges	60,000	89,370	82,024
Other	10,000	29,641	100
	<u>16,067,000</u>	<u>18,603,294</u>	<u>17,396,040</u>
Loss from operations	(6,577,000)	(7,372,603)	(6,960,485)
Subsidy from General Revenue Fund	6,577,000	7,477,000	6,098,000
Net income (loss) (Note 9)	<u>\$ ---</u>	<u>104,397</u>	<u>(862,485)</u>
Accumulated operating surplus, beginning of year		307,849	1,170,334
Accumulated operating surplus, end of year (Statement 1)		<u>\$ 412,246</u>	<u>\$ 307,849</u>

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	<u>2008</u>	<u>2007</u>
		Restated
Financing required for operating activities:		(Note 11)
Net income (loss)	\$ 104,397	\$ (862,485)
Net increase in working capital items related to operations (Note 5)	<u>(935,014)</u>	<u>(1,158,661)</u>
Net financing required for operating activities	<u>(830,617)</u>	<u>(2,021,146)</u>
Net increase in financing requirement	(830,617)	(2,021,146)
Accumulated net (expenditure) recovery, beginning of year	(1,421,576)	599,570
Accumulated net expenditure, end of year (Statement 1)	<u><u>\$ (2,252,193)</u></u>	<u><u>\$ (1,421,576)</u></u>

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2008

1. Authority and Definition of Reporting Entity

The Commercial Revolving Fund (Revolving Fund) operates under the authority of Section 18 of *The Natural Resources Act*. The purpose of the Revolving Fund is to conduct commercial activities required for the promotion, development, and management of provincial parks.

The Ministry of Environment was responsible for the Revolving Fund until November 20, 2007. Pursuant to Order in Council 900/07, responsibility for the Revolving Fund transferred to the Ministry of Tourism, Parks, Culture and Sport effective November 21, 2007.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 5. The following accounting policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net working capital changes and net cash flows from operations.

b) Accumulated Net (Expenditure) Recovery

The accumulated net (expenditure) recovery of the Revolving Fund includes the net (increase) decrease in financing requirements for each fiscal year.

c) Inventories

Resale inventory consists of maps, wildlife manuals, pins, and other miscellaneous items that are valued at the lower of average cost and net realizable value. Consumable inventory is valued at most recent cost and in general consists of equipment parts, fuel and oil, cleaning supplies, paint, plumbing supplies, building supplies, and firewood that meet or exceed a threshold of \$10 per unit of measure.

d) Revenue Recognition

Revenues, other than lease revenues, are recognized when permits are issued and/or services are provided. Lease revenues are recognized when lease payments are due.

e) Subsidy from General Revenue Fund

The subsidy from the General Revenue Fund is recognized when received or receivable.

f) Estimates

These statements are prepared in conformity with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

g) Financial Instruments

Effective April 1, 2007, the Revolving Fund adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 – Financial Instruments – Recognition and Measurement. Under these new standards, all financial assets and financial liabilities must be identified and classified. This classification determines how each financial instrument is measured. The Revolving Fund's financial instruments and their classification are as follows:

Financial Instrument	Classification
Accounts receivable	Loans and receivables
Due from General Revenue Fund	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

Accounts receivable and accounts payable and accrued liabilities are measured at amortized cost. Due to their immediate or short-term maturity, the amortized cost of these instruments approximates their fair value. Due from General Revenue Fund is measured at fair value. Changes in fair value are recognized immediately in the Statement of Operations and Accumulated Operating Surplus.

This change in accounting policy did not have a significant impact on the Revolving Fund's financial statements at the time of adoption.

h) Recent Accounting Pronouncements

Effective April 1, 2008, the Revolving Fund will be required to adopt CICA Handbook Sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Revolving Fund is exposed, and how the risks are managed by the Revolving Fund. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Revolving Fund does not expect the adoption of these new standards to have a material impact on its financial statements.

3. Authorized Financing

Section 18(10) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of \$4,000,000 was established by Order in Council 516/94.

4. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. A plan may include, but is not limited to, payment of excess surpluses to, or request for additional funding from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated operating surplus (deficit) as \$350,000.

5. Net Change in Working Capital Items Related to Operations

	2008	2007
		Restated (Note 11)
Increase in accounts receivable	\$ (314,234)	\$ (45,253)
Increase in due from General Revenue Fund	(357,495)	(1,598,000)
Increase in inventories	(3,871)	(111,275)
(Decrease) increase in accounts payable and accrued liabilities	(259,414)	595,867
Net increase in working capital items related to operations	<u>\$ (935,014)</u>	<u>\$ (1,158,661)</u>

6. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. These transactions at year end are as follows:

<u>Category</u>	2008	2007
Expenses:		
Contractual services	\$ 1,203,010	\$ 1,301,279
Travel and business	902,403	871,939
Supplies and services	30,689	59,465
Due from General Revenue Fund	1,955,495	1,598,000
Accounts payable and accrued liabilities	59,719	226,332

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Ministry of Tourism, Parks, Culture and Sport is responsible for the acquisition of land for provincial parks. Therefore, land is not reflected in these financial statements. However, in accordance with *The Natural Resources Act* the Revolving Fund is credited with all rents and fees with respect to land.

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the ministerial appropriations and therefore no provision for such costs is reflected in these financial statements.

Other transactions with related parties and amounts due to/from them, are described separately in the financial statements and the notes thereto.

7. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

8. Financial Instrument Risks

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. An allowance for doubtful accounts is recorded for these accounts that are considered uncollectible. The Revolving Fund has recorded an allowance for doubtful accounts of \$ 549,778 (2007 - \$501,255).

9. Amount Reported in Public Accounts

The net recovery (expense) of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2008	2007
		Restated (Note 11)
Net income (loss)	\$ 104,397	\$ (862,485)
Increase in inventories	(3,871)	(111,275)
Amounts not included in Public Accounts due to timing differences	(96,816)	(176,567)
Net recovery (expense) reported in Public Accounts	<u>\$ 3,710</u>	<u>\$ (1,150,327)</u>

10. Comparative Figures

Certain prior year balances have been reclassified to conform with the current year's financial statement presentation.

11. Prior Period Adjustment

In prior years, custodial assets were acquired by the Revolving Fund and were recorded as consumable inventory. These assets should have been acquired and recorded by the Ministry of Environment. The Revolving Fund transferred these assets to the Ministry of Environment effective March 31, 2007. Also, there were items included in consumable inventory which should have been recorded as supplies expense. The Revolving Fund has adjusted these financial statements retrospectively for these items.

As a result, the financial statements for the year ended March 31, 2007 have been restated. The effect of this restatement has been to decrease accumulated net expenditure by \$108,549, decrease accumulated operating surplus by \$63,406, increase expenses and net loss by \$63,406, and decrease inventories by \$171,955.